

ALVORD AND ALVORD

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OF COUNSEL
URBAN A. LESTER

March 28, 2002

RECORDATION NO. 23919 FILED

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

MAR 28 '02 3-37 PM

SURFACE TRANSPORTATION BOARD

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Mortgage, dated as of March 28, 2002, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor:	Babcock & Brown Rail Funding LLC 599 Lexington Avenue New York, New York 10022
Secured Party:	Bayerische Hypo-Und Vereinsbank AG, as Agent FPA 4 Lease/Asset Finance Am Tucherpark 1 (FPA) 80538 Munich Germany

Mr. Vernon A. Williams
March 28, 2002
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A description of the railroad equipment covered by the enclosed document is:

- One hundred and ten (110) open top hopper railcars bearing JTSX reporting marks and road numbers 300115 through 300224, inclusive,

and
- Twenty-five (25) covered hopper railcars bearing RGCX reporting marks and road numbers 1118 through 1142, inclusive.

A short summary of the document to appear in the index is:

Memorandum of Mortgage.

Also enclosed is a check in the amount of \$28.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/anm
Enclosures

MEMORANDUM OF MORTGAGE

Memorandum of Mortgage, made and entered into as of March 28, 2002 by BABCOCK & BROWN RAIL FUNDING LLC, (the "Debtor") in favor of BAYERISCHE HYPO- UND VEREINSBANK AG, as Agent under the Security Agreement referred to below (together with its successors and permitted assigns, the "Secured Party"). Terms used in this instrument have the meanings assigned thereto in the Security Agreement dated as of December 1, 2000 between the Secured Party and the Debtor (as supplemented, including by Security Agreement Supplement No. 3 dated the date hereof, the "Security Agreement").

WITNESSETH:

The undersigned has entered into the Security Agreement, under which the Debtor has granted a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto and in each lease referred to on Exhibit B attached hereto to the Secured Party in order to secure the Debtor's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the party hereto has caused this memorandum to be duly executed by an officer duly authorized as of the date and year first above written.

BABCOCK & BROWN RAIL FUNDING LLC

By: 
Name: Larry Littlefield
Title: Vice President

NEWYORK/#87292.3

Memorandum of Mortgage

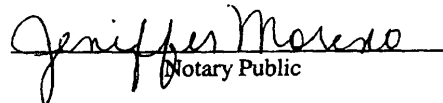
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SURFACE TRANSPORTATION BOARD

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 27th day of March in the year 2002 before me personally came Larry Littlefield to me known, who, being by me duly sworn, did depose and say that he resides at 127 Danforth Drive, New Canaan, CT 06840; that he is Vice President duly appointed Babcock & Brown Rail Funding LLC, the limited liability corporation described in and which executed the above instrument; and that he signed his name thereto by authority of the officers of said limited liability corporation.


Notary Public

[Notarial Seal]

Jennifer Moreno
Notary Public, State of New York
No. 01M06036346
Qualified in Queens County
Commission Expires January 24, 2006

Memorandum of Mortgage

NEWYORK/#87292.3

**Exhibit A
to Memorandum of Mortgage**

EQUIPMENT

Lease #	# Cars	Year Built	Description	Reporting Marks	Casualty Marks
1	25	1998	3,260 CF two-pocket covered hopper railcars, manufactured by Trinity Industries.	RGCX 1118-1142, inclusive.	None.
2	110	1993	4,000 CF 286,000 GRL aluminum open top hopper railcars, manufactured by Trinity Industries.	JTSX 300115-300224, inclusive.	None.

Exhibit A

NEWYORK/#87292.3

**Exhibit B
to Memorandum of Mortgage**

LIST OF LEASES AND OTHER OPERATIVE AGREEMENTS

Lease No. 1 – Lone Star

Railcar Net Leasing Agreement dated February 12, 1998, between Joseph Transportation Services, Inc. (as assignee of Rio Grande Chemical Sales Company) and Lone Star Industries, Inc.

Exhibit A Rider 2 to Railcar Net Leasing Agreement dated September 2, 1998.

Addendum #1 to Rider 2 to Railcar Net Leasing Agreement dated February 8, 1999.

Assignment and Assumption Agreement dated as of December 18, 2001, between Rio Grande Chemical Sales Company and Joseph Transportation Services, Inc.

Memorandum of Assignment and Assumption Agreement made and entered into as of December 18, 2001, between Rio Grande Chemical Sales Company and Joseph Transportation Services, Inc.

Bill of Sale dated as of December 20, 2001, by Rio Grande Chemical Sales Company in favor of Joseph Transportation Services.

Lease No. 2 - Marathon

Railroad Equipment Lease dated as of January 23, 2002, between Joseph Transportation Services, Inc. and Marathon Ashland Petroleum, LLC.

Memorandum of Railroad Equipment Lease entered into January 23, 2002 between Joseph Transportation Services, Inc. and Marathon Ashland Petroleum, LLC.

Bill of Sale dated as of January 25, 2002, by National City Leasing Corporation in favor of Joseph Transportation Services, Inc.

Certificate of Acceptance dated as of February 14, 2002, covering 29 Aluminum Open Top Hoppers.

Certificate of Acceptance dated as of March 1, 2002, covering 39 Aluminum Open Top Hoppers.

Certificate of Acceptance dated as of March 15, 2002, covering 40 Aluminum Open Top Hoppers.

Certificate of Acceptance dated as of March 27, 2002, covering 2 Aluminum Open Top Hoppers.

CERTIFICATION

I, Edward M. Luria, an attorney licensed to practice in the District of Columbia, the State of Delaware and the Commonwealth of Pennsylvania, do hereby certify under penalty of perjury that I have compared the attached copy of an Memorandum of Mortgage with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: March 28, 2002

Edward M. Luria
Edward M. Luria